Financial Analysis Of State Bank Of India

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Abstract:

The State Bank of India (SBI) is one of the biggest and most well-known banks in India, which provides a variety of financial services and products to individuals, organization, and businesses. One of crucial component of SBI's operations is its financial performance, which influences its capacity to make money, preserve financial stability, and control risks. India's banking business is extremely competitive and SBI must contend with issues such growing competition from private sector banks, unstable economic conditions, and regulatory pressure.
The above study examined SBI Bank's financial status, profitability, liquidity, solvency and efficiency position using secondary data sources collected for last 5 years. Investors, analysts and other stakeholders can use the study's findings to help them make well-informed decisions about their SBI bank investments.
Keywords: financial performance, State Bank of India, financial ratios, profitability, liquidity, solvency

1.0 INTRODUCTION:

The Indian Banking Sector is broadly classified into scheduled banks and non scheduled banks. All banks included in second schedule to the **Reserve Bank of India Act, 1934** are Schedule Banks. These banks comprise Schedule Commercial Banks and Schedule Co- operative Banks. Schedule Co- operative Banks consist of Scheduled State Co-operative Banks and Scheduled urban Co- operative Banks. The Scheduled Banks are further classified into Nationalized Banks, SBI and its associates, Regional Rural Banks, Foreign Banks, and other Indian Private Banks. The SBI has merged its Associates banks into itself to create the largest bank in India on 1st April 2017 With the global SBI has a global ranking of 236 on Fortune 500 Index. The term Commercial Banks refers to both Scheduled and Non- Scheduled Banks regulated under the **Banking Regulation Act, 1949**.

According to the Reserve Bank of India (RBI), there are over 24.23 million fixed deposits in India, with a total of over Rs.103 trillion (US$1.2 trillion) currently locked in these deposits. This figure surpasses the Rs.8.5 trillion (US$220 billion) held in current accounts and Rs.59.70 trillion (US$720 billion) in savings accounts, which together come to Rs.181 trillion (US$2.2 trillion).The majority of research studies state that Indians have historically preferred bank deposits over other investing options because of safety and security. Over 95% of Indian consumers prefer to keep their money in bank accounts, while less than 10% choose to invest in equities or mutual funds, according to a SEBI survey. As per the Reserve Bank of India (RBI), a significant portion of Indian household financial assets are held in the form of bank deposits. This is consistent with the traditional preference of Indian households for safe and liquid assets.

SBI has been the most trusted brand on the banking horizon in India. The bank believes that it owes a solemn duty to the less fortunate and underprivileged members of the society to make sustainable of the society to make sustainable social changes in their lives.” Bank’s customized savings products are designed for people from all age groups from children to young adults to the elderly.

1.4 INTRODUCTION TO STATE BANK OF INDIA:-

State Bank of India (SBI) is one of the biggest state-owned financial institutions in India. Headquartered in Mumbai, the bank provides a wide range of products and service to its customers, which includes commercial enterprises, large corporate, public bodies and institutional customers. SBI is also one of the largest banks in India in terms of market capitalization.

The bank descends from the Imperial Bank of India, which was formed by merging Bank of Calcutta, Bank of Madras and the Bank of Bombay in 1806. The Imperial Bank of India became the State Bank of India in 1955 after Government of India took control of it with Reserve Bank of India (RBI) taking a 60% stake in it. In 2008, the Government took over the stake held by the RBI. Representing the legacy over 200 years, SBI has shown consistent growth compare to other public sector lenders in India. Some of the services offered by bank to its customers include domestic treasury, brokering services, revised service charges, ATM services, Internet Banking, E-pay, E-rail, Safe Deposit Locker, MICR codes, Foreign inward remittances, doorstep banking services, among others. A fortune 500 company, SBI is also among the top league of 50 global banks with a balance sheet size of over 30 lakh crore. The bank comprises 24,000 plus branches with 59,000 plus ATMs serving 42 crore plus customers. SBI has an overseas presence through over 195 foreign offices spread across 36 plus countries.

State bank of Jaipur (SBBJ), State Bank of Mysore (SBM), Sate Bank of Travancore (SBT), State Bank of Patiala (SBT), Sate Bank of Hyderabad (SBH) and Bharatiya Mahila Bank, merged with State Bank of India, making it the largest consolidation exercise in the banking history of India.The equity shares of SBI are listed on the **Bombay Stock Exchange**, where it is a constituent of the **BSE SENSEX** Index, and the **National Stock Exchange of India**, where it is a constituent of the **CNX Nifty**. Its **Global Depository Receipts (GDRs)** are listed on London Stock Exchange

2.0 REVIEW OF LITERATURE:

- **Shabbir et al. (2018)** conducted a study on the impact of corporate governance on the financial performance of banks in India, including SBI. The study found that good corporate governance practices had a positive impact on the financial performance of banks, including SBI.
- **Singh and Sahu (2019)** depicted theFinancial Performance of SBI Bank after Merger with Associate Banks by This study analyzed the financial performance of SBI bank after its merger with five associate banks in 2017. The researchers used various financial ratios such as ROA, ROE, NIM, and Asset Quality to evaluate the bank's financial performance. The study found that SBI bank had a significant growth in terms of assets, deposits, and loans after the merger. The researchers concluded that the merger had a positive impact on the financial performance of SBI bank.

- **Gupta and Bhatia (2019)** analyzed the financial performance of Indian public sector banks, including SBI, using a composite scorecard approach. The study found that SBI had a higher score compared to other public sector banks, indicating better financial performance.

- **Nayak and Singh (2020)** conducted a study on the financial performance of Indian banks during the COVID-19 pandemic, including SBI. The study found that the pandemic had a negative impact on the financial performance of banks, including SBI. However, SBI's financial performance was relatively better compared to other banks due to its strong digital infrastructure.

- **Patel Bhaveshkumar k (2020),** studied the Financial performance of SBI bank, this study is based on secondary data that has been collected from annual reports of the SBI bank, books, newspapers, magazines, journals, documents, research papers, websites and other published information. This study main objective is to find out the profitability, liquidity ratios and solvency ratios to measure the financial health of SBI bank.The market position of SBI is better. Financial analysis is used to find the banks position in maintaining the day to day operations. This study is focused to evaluating the performance of SBI bank. The various ratios under the above category were collected and it is found that there is a significant growth in the year 2020.

- **Raut and Gupta (2021)** analyzed the impact of the COVID-19 pandemic on the financial performance of SBI bank during the year 2020. The researchers used financial ratios such as ROA, ROE, NIM, and Asset Quality to evaluate the bank's financial performance. The study found that SBI bank had a decline in its financial performance during the pandemic due to an increase in provisions for bad loans.

- **Mishra et al. (2021)** conducted a study on the financial performance of SBI. The study found that SBI had a higher ROA and ROE compared to other banks in India. The study also found that SBI had a higher NIM and lower NPA compared to other banks.

- **Chakraborty and Debnath (2021)** conducted a study on the impact of financial inclusion on the financial performance of banks in India, including SBI. The study found that financial inclusion had a positive impact on the financial performance of banks, including SBI.

3.0 RESEARCH METHODLOGY

The present study is of analytical nature and makes use of secondary data. The study of 5 years (2020-2024) will utilize both quantitative and qualitative research methods, including financial statement analysis, ratio analysis, and trend analysis, to evaluate SBI's financial performance in terms of profitability, liquidity, solvency, and efficiency.The study conducted is empirical in nature and hence descriptive research has been conducted.

3.1 OBJECTIVES OF STUDY:

Following are the objectives for the project entitled:"Financial Analysis of State Bank of India"

1. To study and analyze the recent trends of Indian Banking Sector.
2. To study the overall financial performance of State Bank of India.
3. To analyze the profitability position of State Bank of India.

- **Hypothesis:**

H_0: There is no significant difference in terms of profitability position of SBI.
H_a: There is significant difference in terms of profitability position of SBI.

SOURCES FOR DATA COLLECTION:-

This study is based on Secondary data collected from balance sheet of SBI and various reports of government of India, Handbooks of SBI and its official website research articles, books, periodical and internet websites.**T**he statistical tool used in this study is Trend analysis, percentage, bar graph and t test using SPSS. Financial analysis of the Bank will be based on Ratio analysis technique.

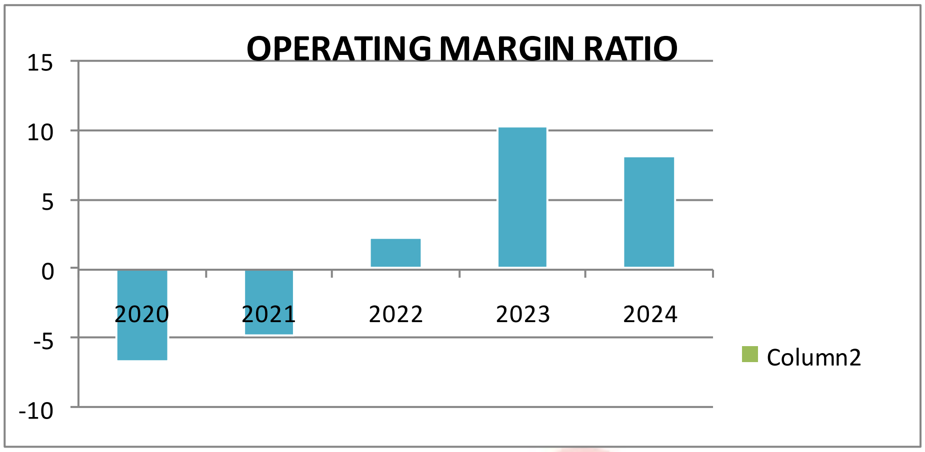
4.0 DATA ANALYSIs

1. **OPERATING MARGIN RATIO:-**The operating ratios compare to determine management performance. The operating ratio demonstrates how well a company management keeps cost down when increasing revenue or sales. The lower the ratio, the more efficient the business is revenue compared to total expenses. The operating ratio measures a company gross operating cost to net revenue to access how effective management is.A declining operating ratio is regarded as a positive indicator, as it shows that operating expenses are becoming a smaller percentage of net sales.

FIGURE 4.2.1

OPERATING MARGIN RATIO

YEAR	**2020**	**2021**	**2022**	**2023**	**2024**
RATIO	-6.65	-4.76	2.21	10.20	8.05



Source: SBI balance sheet

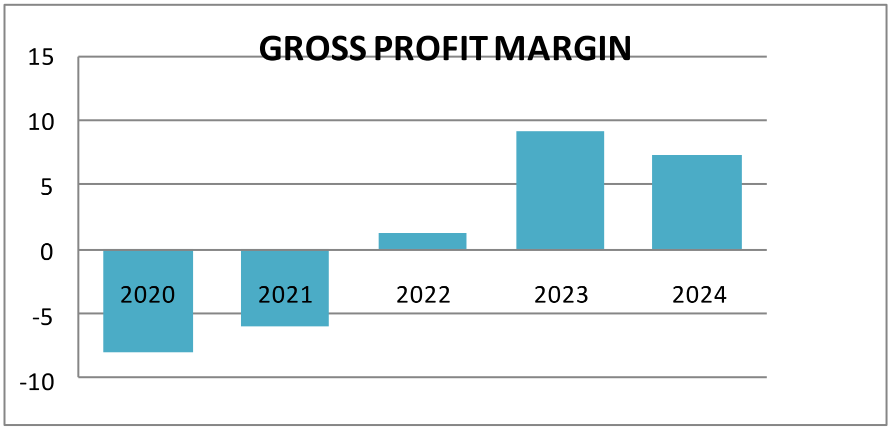
Interpretation: From the above table and graph it shows the company's operating margin ratio from 2020 to 2024. It started negative in 2020 but improved significantly in 2022 and 2023. There was slight decline in 2024, which may require further investigation. Overall, the trend suggests improved profitability for the company.

2. **GROSS PROFIT MARGIN:-**Gross profit margin is often expressed a percentage of revenue and is often referred to as the gross margin ratio.The gross profit margin is an analytical statistics that is calculated by subtracting a company net profit from its cost of goods sold.The gross profit margin is often expressed as a percentage of net revenue. The gross profit margin reflects the profit before deducting marketing, general, and administrative expenses, which is the net profit margin of the company.

FIGURE 4.2.2

GROSS PROFIT MARGIN

YEAR	**2020**	**2021**	**2022**	**2023**	**2024**
RATIO	-7.93	-6.01	1.03	9.21	7.25



Source: SBI balance sheet

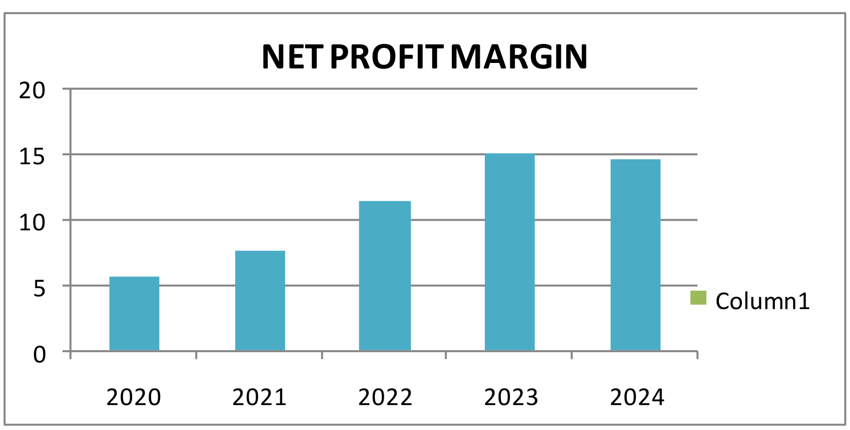
Interpretation: From the above table and graph it shows the company's gross profit margin from 2020 to 2024. The gross profit negative in 2020 & 2021 these shows that the company's cost goods sold exceeded its net sales. The gross profit becoming positive in 2022 .The gross profit margin experienced further growth in 2023.

3. **NET PROFIT RATIO:-**The net profit margin is equal to how much net income or profit is generated as a percentage revenue. Net profit margin is the ratio of net profits to revenues for a company or business segment. Net profit margin is typically expressed as a percentage but can also be represented in decimal form. The net profit margin illustrates how much of each dollar in revenue collected by a company translates into profit.

FIGURE 4.2.3

NET PROFIT MARGIN

YEAR	**2020**	**2021**	**2022**	**2023**	**2024**
RATIO	5.63	7.69	11.49	15.12	14.71



Source: SBI balance sheet

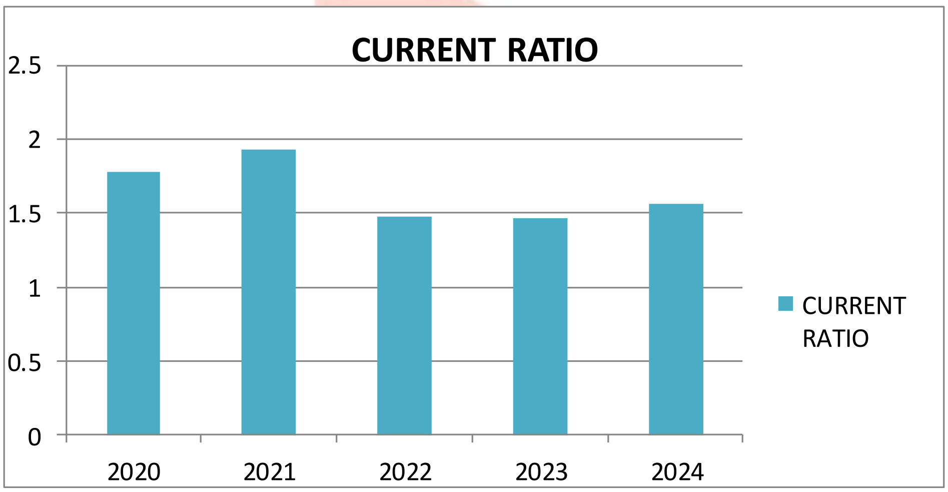
Interpretation: From the above table and graph it shows the company's net profit margin from 2020 to 2024.The net profit margin is increasing form 2020 to 2023. The profit margin reduced In 2024. It shows the company is facing challenges such as: increased costs of goods, increased operating expenses(e.g salaries, rent marketing), increased tax burden, Economic downturn etc.

1. **CURRENT RATIO:-**The current ratio is a liquidity ratio that assess a company ability to pay short term or one-year obligations. It explain to investors and analysts how a company can use existing assets on its balance sheet to pay off current debt and other obligations. A lower current ratio than the industry average could suggest a higher risk of default or distress. Similarly, if a company current ratio is exceptionally high relative to its peers, it means the management is not making the best use of its cash.

FIGURE 4.2.4

CURRENT RATIO

YEAR	**2020**	**2021**	**2022**	**2023**	**2024**
RATIO	1.78	1.93	1.48	1.46	1.56



Source: SBI balance sheet

Interpretation: From the above table and graph it shows the company's current ratio from 2020 to 2024. It started at 1.78 in 2020 and peaked at 1.93 in 2021. There was a slight decline in 2022 & 2023, but rebounded slightly in 2024. A current ratio of less than 1.0 means that a company's obligations due in the next year or less are greater than its assets (cash or other short-term assets expected to be converted to cash within a year or less.)

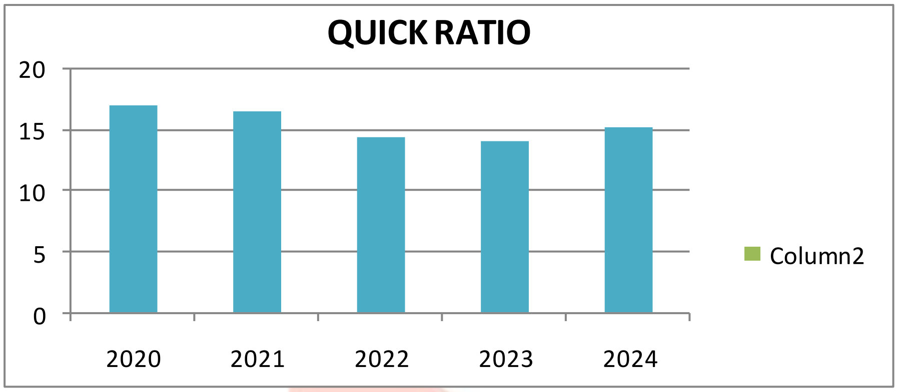
2. **QUICK RATIO:-**The fast ratio is a measure of a company ability to fulfill short-term obligation with its most liquid assets and is an indication of its short term liquidity status.It is also known as the acid test ratio because it shows a company ability to pay down current liabilities rapidly using near-cash assets (assets that can be converted quickly to cash). A fast test designed to produce instant result is referred to

as a acid test.The fast ratio assess a company ability to fulfill existing commitments .The short ratio is thought to be a more conservative metrics than the current ratio

FIGURE 4.2.5

QUICK RATIO

YEAR	**2020**	**2021**	**2022**	**2023**	**2024**
RATIO	17.05	16.56	14.49	14.11	15.17



Source: SBI balance sheet

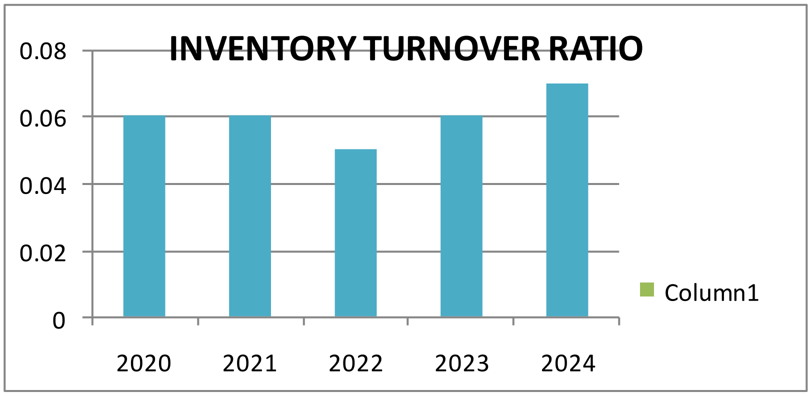
Interpretation: From the above table and graph it shows the company's quick ratio from 2020 to 2024. Quick ratio was 17.5 in 2020 but after that it decreased from 2021 to 2023.It was increased in 2024.

3. **INVENTORY TURNOVER RATIO:-**Inventory turnover is a financial ratio that indicates how many times a company's inventory has been sold and replaced in a given timeframe. The days it takes to sell the inventory on hand can then be calculated by multiplying the number of days in the timeframe by the inventory turnover formula. Calculating inventory turnover can assist companies in making better pricing, production, marketing, and inventory purchase decisions. Inventory turnover refers to how many times a business can replace its sold inventory in a given time span.A slow turnover ratio indicates low sales and likely surplus inventory, while a faster ratio indicates high sales or inadequate inventory.

FIGURE 4.2.6

INVENTORY TURNOVER RATIO

YEAR	**2020**	**2021**	**2022**	**2023**	**2024**
RATIO	0.06	0.06	0.05	0.06	0.07



Source: SBI balance sheet

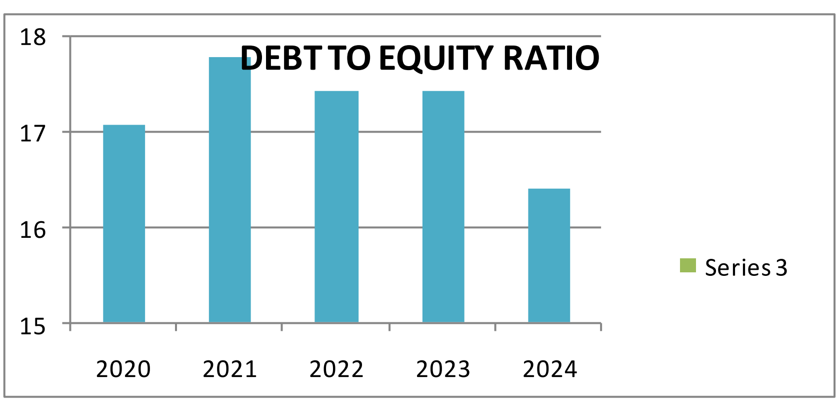
Interpretation: From the above table and graph it shows the company's Inventory turnover ratio from 2020 to 2024. The ratio remained relatively stable at 0.06, suggesting consistent inventory turnover. The ratio was decreased in 2022 but the ratio increased back in 2023. The ratio increased further to 0.07 in 2024 suggesting the most efficient inventory turnover during the period.

4. **DEBT TO EQUITY RATIO:-**Dividend a company total liability by its shareholder equity to get the debt-toequity ratio. The balance sheet of company financial statements contains these figures.The ratio is used to determine the financial leverage of a business. In corporate finance, the debt-to-equity ratio is a crucial measure. It is an indicator of how much a corporation relies on debt to finance its activities rather than wholly owned funds. In the event of market downturn, it represents the willingness of shareholder equity to pay all outstanding debts. The debt-to-equity ratio is a calculation of how much debt a corporation has relative to how much equity it has.

FIGURE 4.2.7

DEBT TO EQUITY RATIO

YEAR	**2020**	**2021**	**2022**	**2023**	**2024**
RATIO	17.08	17.80	17.44	16.40	15.77



Source: SBI balance sheet

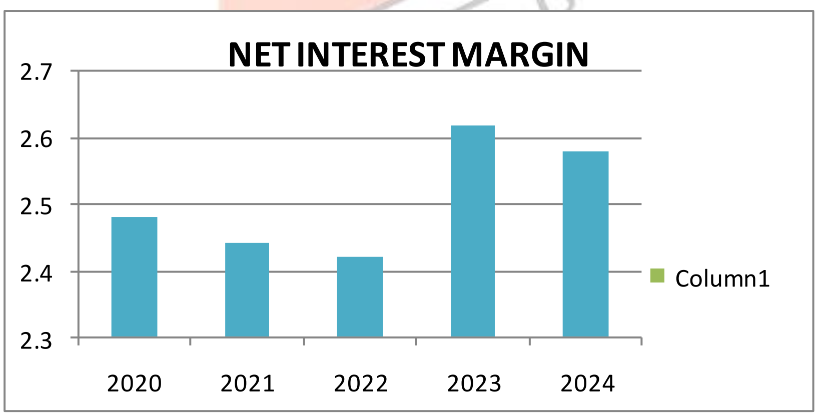
Interpretation: From the above table and graph it shows the company's Debt equity ratio from 2020 to 2024. The D/E ratio has generally decreased over the period. It started at 17.08 in 2020 and declined to 15.77 in 2024. While there's a downward trend, there are some fluctuations. The ratio increased slightly from 2020 to 2021 and then decreased again in 2022 & 2023.

5. **NET INTEREST MARGIN:-**The Net Interest Margin ratio calculates a company benefit from its investments activities as a percentage of its total investing assets. The ratio is commonly used by banks and other financial institutions to assess investment decision and monitor the profitability of their lending operations. This allows them to fine-tune their lending activities to increase profits.This margin is also used by investments firms to assess the effectiveness of a fund manager investment decision. A positive percentage means that the fund manager made wise decision and profited from his investments. A negative ratio, on the other hand, that the fund manager has lost money on his assets as a result of his decisions.

FIGURE 4.2.10

NET INTEREST MARGIN

YEAR	**2020**	**2021**	**2022**	**2023**	**2024**
RATIO	2.48	2.44	2.42	2.62	2.58



Source: SBI balance sheet

Interpretation: From the above table and graph it shows the company's net interest ratio from 2020 to 2024.Further From 2020 to 2023 net interest ratio is increasing it means earning are more and the firm is doing well.

4.3 Hypothesis:

H0: There is no significant difference in terms of profitability position of SBI.

Ha: There is significant difference in terms of profitability position of SBI.

A t-test is an inferential statistic used in hypothesis testing to determine if there is a statistically significant difference between the means of two sample populations.

T-Test

[DataSet0]

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
NETPROFIT	5	10.9280	4.20552	1.88077

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference Lower	95% Confidence Interval of the Difference Upper
NETPROFIT	5.810	4	.070	10.92800	5.7062	16.1498

Source: SPSS sheet

Interpretation :The above test depicts that the Null hypothesis that there is no significant difference in terms of profitability position of SBI is rejected since p value is .070 which is more than 5% of significance level and thus Alternative hypothesis that there is significant difference in profitability position of SBI is accepted.

5.0 CONCLUSION

The banking sector is critical for a country economic growth. SBI is one of the India most well known public sector bank. SBI has a stronger market place. The result shows that there is no discernible difference between deposits, savings, profitability, long and short term ratios, net profit, and so on. The SBI group is becoming increasingly concerned about the banking system deteriorating profitability as a result of unsecured loans and advance. It has been extremely overburdened and is looking for ways to reduce the viability of the current banking philosophy value. As a result, in the current study report, an attempt has been made to evaluate the financial performance.

The review of literature conducted has highlighted the various factors that have contributed to SBI's improved financial performance, such as the adoption of digital banking, merger, and effective management strategies. However, the COVID-19 pandemic has also had a negative impact on SBI's financial performance, which the bank has managed well through various measures. Overall, future research could focus on analyzing the impact of emerging technologies such as blockchain and artificial intelligence on the financial performance of SBI. The findings from this review of literature provide valuable insights for policymakers and industry experts to improve the financial performance of SBI and other commercial banks in India.

The advancement in technology has brought mobile and internet banking services to the fore. AI and automation are demonstrating unprecedented value while Blockchain has sparked innovation throughout the business landscape and is poised to continue in doing so. The banking sector is laying greater emphasis on providing improved services to their clients and upgrading their technology infrastructure to enhance customer's overall experience as well as give banks a competitive edge.

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